

Message Text

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PAGE 01 CANBER 08957 140114Z
ACTION EA-09

INFO OCT-01 EUR-12 IO-13 ISO-00 SEC-01 AID-05 CIAE-00
COME-00 EB-07 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00
XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01
DODE-00 PM-04 H-01 L-03 NSC-05 PA-01 PRS-01 SS-15
/108 W

----- 117666 /60

P R 130534Z DEC 76
FM AMEMBASSY CANBERRA
TO SECSTATE WASHDC PRIORITY 9483
INFO AMCONSUL BRISBANE
USDEL MTN GENEVA
AMEMBASSY LONDON
AMCONSUL MELBOURNE
USMISSION OECD PARIS
AMCONSUL PERTH
AMCONSUL SYDNEY
AMEMBASSY TOKYO
AMEMBASSY WELLINGTON

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E.O. 11652: N/A
TAGS: EFIN, EALR, AS
SUBJ: FURTHER REVALUATION OF AUSTRALIAN DOLLAR

REF: (A) CANBERRA 8838, (B) CANBERRA 8815, (C) CANBERRA 8603,
(D) CANBERRA 8583 (ALL NOTAL)

1. BRIEF RESERVE BANK ANNOUNCEMENT DECEMBER 13 A.M.
INDICATED THAT GOA HAD FURTHER REVALUED AUSTRALIAN DOLLAR
AGAINST "BASKET OF CURRENCIES" BY SLIGHTLY OVER 1 PERCENT
EFFECTIVE AT OPENING OF BUSINESS DECEMBER 13. SUBJECT TO
CONFIRMING DETAILS NOT YET AVAILABLE, IT APPEARS THAT
FOLLOWING THIS SECOND REVALUATION THE NET REMAINING DEVALUATION
AGAINST THE "BASKET" SINCE NOVEMBER 28 IS 14.5 PERCENT.

2. MID-RATE OF U.S. DOLLAR SUBSEQUENTLY ANNOUNCED BY
RESERVE BANK FOR DECEMBER 13 TRADING WAS U.S.\$1.0521
EQUALS A\$1.00. RESERVE BANK MID-RATE FOR U.S.\$ FOR FRIDAY,
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DECEMBER 10 TRADING WAS U.S.\$1.0388 EQUALS A\$1.00. THIS

CHANGE FROM FRIDAY TO MONDAY REPRESENTS THE COMBINED EFFECT OF ONE DAY'S CMOVEMENT UNDER THE "BASKET OF CURRENCIES" FORMULA AND OF THE LATEST GOA REVALUATION AGAINST THE ENTIRE BASKET ANNOUNCED THIS MORNIGN. THE TREASURY HAS UPON INQUIRY ADVISED US THAT THE REVALUATION AGAINST THE BASKET WAS 1.18 PERCENT. THE REVALUATION AGAINST THE U.S.\$ COMBINING BOTH ADJUSTMENTS WAS 1.28 PERCENT.

3. THIS LATEST EXERCISE OF THE GOA'S ANNOUNCED (CANBERRA 8583) INTENTION TO MAKE "MORE FREQUENT AND SMALL SHIFTS IN THE RELATION OF THE AUSTRALIAN DOLLAR TO THE 'BASKET' OF CURRENCIES" COMES ONLY SIX DAYS AFTER THE FIRST REVALUATION ANNOUNCED DECEMBER 7 AND 14 DAYS AFTER THE 17.5 PERCENT DEVALUATION WHICH TOOK EFFECT NOVEMBER 92 (CANBERRA 8583). IT COMES AMID CONTINUING CLAMOR OVER THE MERITS OF THE ORIGINAL DEVALUATION, REINFORCED BY THE SURPRISE EFFECT OF THE FIRST REVALUATION LAST WEEK. THE ARGUMENT OVER THE JUSTIFICATION OR NECESSITY FOR THE NOVEMBER 29 ACTION WAS HEIGHTENED BY AUSTRALIAN BUREAU OF STATISTICS ANNOUNCEMENTS ON DECEMBER 10 OF PRELIMINARY NATIONAL INCOME AND EXPENDITURE ESTIMATES FOR THE SEPTEMBER QUARTER AND ESTIMATES OF BALANCE OF PAYMENTS MOVEMENTS FOR NOVEMBER. WHILE WE ARE STILL AWAITING THE DETAILED RELEASES, THE ANNOUNCEMENT INDICATES THAT THE PRELIMINARY INCOME AND EXPENDITURE DATA SUGGEST ENCOURAGING IF NOT SPECTACULAR PROGRESS IN THE SEPTEMBER QUARTER AS COMPARED WITH BOTH THE PREVIOUS QUARTER AND THE COMPARABLE QUARTER OF 1975. THE NOVEMBER BALANCE OF PAYMENTS ESTIMATES APPARENTLY SHOW A CONTINUING HIGH RATE OF CAPITAL OUTFLOW. SINCE THEY INCLUDE WHATEVER INFLOWS MAY HAVE TAKEN PLACE IN THE TWO DAYS FOLLOWING THE NOVEMBER 29 DEVALUATION, THESE DATA ARE NOT CONCLUSIVE, BUT DO FAIL TO PROVIDE ANY CONFIRMING EVIDENCE OF A RAPID WORSENING OF THE OUTFLOW AS A BASIS FOR THE NOVEMBER 28 DEVALUATION ANNOUNCEMENT. AS A RESULT, GIVEN THE GOA'S SILENCE CONCERNING THE SPECIFIC REASONS FOR THE TIMING AND SIZE OF THE DEVALUATION AS WELL AS OF THE TWO SUBSEQUENT REVALUATION, THE PUBLIC AND POLITICAL DEBATE OVER THEIR NECESSITY AND JUSTIFICATION REMAINS VERY SHARP.

HARGROVE

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Message Attributes

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